



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

99-201

SYNOPSIS -

AGENDA:

MAY 3, 1999

SUBJECT:

GENERAL
OBLIGATION BOND
ISSUE

Setting the date of seven separate public hearings on May 17, 1999, for issuance of General Obligation Bonds in an aggregate amount not to exceed \$23,600,000. This will begin the annual springtime process of borrowing from the capital markets to pay for the City's FY00 Capital Improvements Program (CIP) and two additional non-CIP economic development projects. Like last year, this year a large number of public hearings (seven) is required, because the diverse nature of the FY00 CIP projects yields a wide range of categories for which, under State law, separate public hearings must be held.

TYPE:

FISCAL IMPACT -

RESOLUTION
ORDINANCE
RECEIVE/FILE

The funding amounts for various capital projects are consistent with the FY00 CIP, adopted by City Council on March 1, 1999. Annual debt service on this year's General Obligation Bond issue will be paid, as usual, from: (1) the property tax debt service levy approved by City Council and certified to the State; and (2) tax increment funds, as available.

SUBMITTED BY:

KEVIN RIPER
FINANCE
DIRECTOR

RECOMMENDATION -

Approval.

BACKGROUND -

CIP improvements to be financed include: bridge and viaduct, fire projection, parks, flood control, library, municipal, sidewalk, street, traffic control, and neighborhood development.

Attached are two lists of the various projects to be financed by this bond issue. The first list is the "bond-sizing spreadsheet."

This three-page document follows the same structure and sequence as the CIP document, and lists every project to be financed, and the associated dollar amount of the borrowing, including issuance costs. The second list is from bond counsel, and lists the same projects, sorted into the seven public hearings that will be conducted on May 17, 1999.

The two non-CIP economic development projects to be financed are the Court Avenue Entertainment Complex (\$3.1 million), and the Gateway Project (\$3.1 million). For the latter, this spring's borrowing is the first in a four-year series of General Obligation Bonds expected to total \$16.2 million. Debt service on the bonds issued for both Court Avenue and Gateway will be paid from tax increment. Under federal law and U.S. Treasury Department regulations, the interest on all of the bonds to be issued for Court Avenue-and some of the bonds to be issued for the Gateway Project-is expected to be taxable to investors. Therefore, investors will demand from the City a higher interest rate (approximately 200 "basis points," equal to two percentage points) on this taxable debt than on the remainder of the bond issue, which will be tax-exempt. This is similar to the City's April 1998 sale of Airport Revenue Bonds, which included both taxable and tax-exempt components.

Attachments